



CURRENCY

Committee on Financial Services

Michael G. Oxley, Chairman

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Oxley Will Move Legislation to Prevent Fraud in Financial Services

Chairman Michael G. Oxley (OH) will bring legislation to prevent fraud in financial services before the full House Committee on Financial Services. The Committee will meet to mark up H.R. 1408, the Financial Services Antifraud Network Act, authored by U.S. Rep. Mike Rogers (MI), at 10 a.m. Wednesday, June 27 in room 2128 Rayburn House Office Building.

The legislation moves to create an anti-fraud network for information sharing among the nation's more than 250 financial regulators about financial services professionals. Currently, bad actors can too easily escape regulators' notice by moving from one state to another or from one industry to another. Financial services fraud costs companies and consumers \$100 billion each year.

"The bill is an important advance, because it views financial services as one industry," said House Financial Services Committee Chairman Michael G. Oxley. "In the future, con artists will no longer be able to exploit the gaps that exist among the 50 states and among banking, securities, and insurance regulators."

Partially inspired by the Martin Frankel case, the bill would give regulators six months to plan and two years to implement the new network. If these goals are not met, a new subcommittee to administer the network would be created within the President's Working Group on Financial Markets.

"Does anyone seriously doubt that there are hundreds, if not thousands, of would-be Martin Frankels still operating in our financial markets?" asks Financial Institutions and Consumer Credit Subcommittee Chairman

Spencer Bachus (AL). "The anti-fraud network established by this legislation will help level the playing field between the Frankels of the world and the financial regulators charged with policing financial fraud and protecting consumers."

The Rogers bill could have prevented crimes such as those committed by Martin Frankel, who was barred from the securities industry before moving to the insurance industry and stealing hundreds of millions of dollars.

"While the technology needed to create this network may be complex, the purpose of the legislation is not---it protects consumers from financial scams," said Rogers. "Financial services industry regulators need the technological tools to prevent criminal activity. Electronically linking regulators and law enforcement closes a loophole and averts the continuation or migration of schemes aimed at the American public."

Financial regulators have begun to make agreements among themselves to share information, but these agreements cannot create a seamless, nationwide net, nor can they completely and reliably address privacy concerns.

Under the Rogers legislation, regulators decide what information will be shared and the frequency of sharing. However, the regulators are only directed to share public final disciplinary and formal enforcement actions taken against financial companies and professionals. The bill further conveys the congressional view that regulators should consider sharing additional anti-fraud information that is publicly available, as well as information from financial reports, affiliations, and applications which are factual and substantiated.

The bill does **not** require any new information collecting, and it does **not** create a new database. **No** information about consumers will be collected or shared.

The legislation also includes strict privacy protections for the financial professionals under review. Specifically, regulators cannot share information unless there are adequate privacy and confidentiality safeguards. The regulators may not rely on unconfirmed or unadjudicated information. If a regulator uses information from the network to take any action against a financial services professional, the individual generally will be given the information first and must be given a chance to respond.

A provision in the legislation separate from the anti-fraud network would allow the FBI to run fingerprints of applicants for insurance licenses through its national fingerprint database if the particular state enacts a uniform or

reciprocal agent licensing law. Only screened FBI information would be provided to the state insurance commissioner, including felony convictions, violent misdemeanors, failure to pay taxes or child support, and financial crimes. For example, indictments that did not result in conviction would not be provided to commissioners. There are strict penalties for the misuse of such information.

The bipartisan H.R. 1408 was reported to the full Committee on a voice vote by Bachus's Subcommittee on Financial Institutions and Consumer Credit on June 13.

Rogers and Oxley are former special agents of the FBI.

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